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**Abitibi**

POWER & PAPER COMPANY, LIMITED

## ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1950

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## ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1950



Executive Offices: 408 University Avenue, Toronto, Ontario

#### BOARD OF DIRECTORS

*Douglas W. Ambridge	*James Henry Gundy
Hon. Edouard Asselin, K.C.	T. Rodgie McLagan
Edward W. Bickle	Robert H. Reid
Harry J. Carmichael	Joseph P. Ripley
Allan Graydon, K.C.	*William H. Smith
*J. S. D. Tory, K.C.	

\*Members of Executive Committee

#### OFFICERS

Douglas W. Ambridge, President and General Manager	Clark B. Davis, Vice-President (Woodlands)
William H. Smith, Executive Vice-President	Howard Young, Treasurer
Robert J. Askin, Vice-President (Manufacturing)	Laurence B. Popham, Secretary

#### MANAGEMENT COMMITTEE

Douglas W. Ambridge, Chairman	Clark B. Davis
William H. Smith, Vice-Chairman	Thomas A. Hendry
Robert J. Askin	Paul E. Roberts
Howard Young	

#### TRANSFER AGENTS

Montreal Trust Company, Toronto, Ont., Montreal, Que. and Vancouver, B.C.  
City Bank Farmers Trust Company, New York, N.Y.

#### REGISTRARS

The Toronto General Trusts Corporation, Toronto, Ont. and Vancouver, B.C.  
The Eastern Trust Company, Montreal, Que.  
The National City Bank of New York, New York, N.Y.

#### AUDITORS

Price, Waterhouse & Co., Toronto, Ont.

#### PROVINCIAL PAPER, LIMITED BOARD OF DIRECTORS

Douglas W. Ambridge, President	Arthur P. Jewett, General Manager
Walter S. Barber, Secretary-Treasurer	William H. Smith, Vice-President
Clark B. Davis	J. S. D. Tory, K.C.
Allan Graydon, K.C.	Howard Young





REPORT OF THE PRESIDENT





## TO THE SHAREHOLDERS OF ABITIBI POWER & PAPER COMPANY, LIMITED



The results of the operations in 1950 of the Company and subsidiary companies compare favourably with those of any year in the Company's history.

Early in 1950 the demand for pulp and paper products began to increase and as the year went by the requirements of users of all sorts of pulp and paper exceeded the supply. The improvement in the financial positions of many countries in the sterling area made it possible for them to offer American dollars for pulp and for paper and this new demand from overseas still exists and is still largely unsatisfied.

The result was that the Company's mills were operated at top capacity all year and many production records were made. For example, newsprint production was the highest in history. The total tonnage of the various grades of pulp board produced at Sturgeon Falls and at Iroquois Falls reached a new record and the production of fine papers by the mills of Provincial Paper, Limited was also an all-time high.

In spite of this record performance the quality of all our products was maintained at the highest standard and the mechanical condition of all the Company's mills was never better.

On October 2nd, 1950 the Canadian Government set the Canadian dollar free to find its own exchange level. The result was an immediate appreciation in its value in terms of the American dollar. Fortunately the Company had made enough forward sales of American dollars so that this action by our government did not adversely affect the earnings of the Company in 1950. In 1951, however, the premium on the American funds we will receive will in all likelihood be substantially less than in 1950 and the Company's earnings will, therefore, be adversely affected accordingly.

The policy of gradually retiring the preferred shares of the Company as and when funds for this purpose become available was continued and a total of 241,380 shares was retired during the year at a total cost of \$5,935,746.

At a meeting of the Board of Directors held on February 8th, 1951 a by-law was enacted, the effect of which will be to split the common shares on a basis of three for one and will increase the authorized subdivided common capital to 6,000,000 shares.

The approval by the shareholders of this action will be requested at the Annual and Special General Meeting to be held on April 12th, 1951.

## British Columbia Pulp & Paper Company, Limited

By far the most important development of the year was the purchase by the Company of the common shares of British Columbia Pulp & Paper Company, Limited which owns and operates two dissolving pulp mills on the Pacific Coast and holds extensive timber limits. At the date of this report 99% of the outstanding common shares have been purchased and it is contemplated that proceedings will be taken in due course to acquire the balance. For the past several years the Board of Directors has pursued a policy of diversification and this purchase is a major step in that direction.

The Company was fortunate in being able to secure as partners in this transaction Mr. Leon Koerner and Mr. Walter Koerner who control and operate two large sawmills in the Vancouver area and other properties through Alaska Pine Company, Limited and associated companies.

It is proposed to change the name of the British Columbia Pulp & Paper Company, Limited to Alaska Pine & Cellulose Limited which company, after acquiring the shares held by the Koerner interests in the Alaska Pine group of companies, will operate the pulp mills and the sawmills on a closely integrated basis so that the substantial forest resources of the combined companies will be used to the greatest possible advantage on a sustained yield basis. It has been agreed that Abitibi will sell to the Koerner interests 50% of the common shares of Alaska Pine & Cellulose Limited.

As this report is written the programme of financing in Alaska Pine & Cellulose Limited has not been finally formulated. Full information in regard to the whole transaction will be made available in due course.

## Earnings and Dividends

Profit for the year ended December 31, 1950 after all charges was \$12,623,833. This is 29% higher than the profit for the year 1949.

The increase was due largely to the fact that U.S. funds were at a premium for the entire year 1950, and it will be remembered that in 1949 U.S. funds were at par until September 19th, 1949.

A total sum of \$1,730,406 was paid or accrued in dividends to preferred shareholders of the Company during the year. This is a reduction of \$386,199 from the total in 1949.

Common dividends of \$2.00 per share were paid during the year 1950 and a dividend of 75 cents per share was declared payable January 1, 1951.

The balance of the profit for the year was applied towards the retirement of bonds for sinking fund and the purchase of preferred shares.

## Working Capital

The accompanying chart shows the amount of working capital which has been available in recent years.

## Balance Sheet

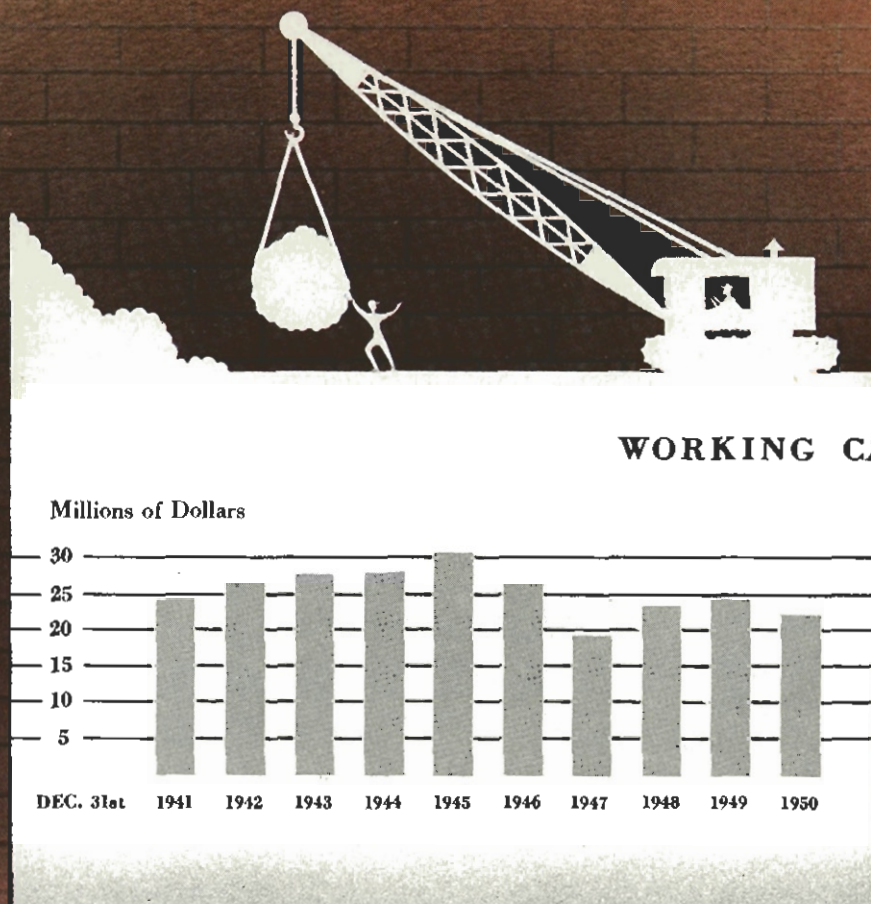
The most important changes in the balance sheet of the Company are the following:

- (i) An investment of \$19,639,000 in the common shares of British Columbia Pulp & Paper Company, Limited partially offset by a bank loan (secured) of \$17,139,000, the balance having come from the cash resources of the Company.
- (ii) The par value of the outstanding preferred shares of the Company has been reduced by \$4,827,600 due to the purchase for cancellation during the year of 241,380 preferred shares.
- (iii) On the balance sheet as at December 31, 1949 a new item appeared—Capital Surplus, resulting from retirement of Prior Preferred and Preferred Shares. As at December 31, 1950 Capital Surplus again appears because of the purchase for cancellation of preferred shares during the year. This resulted in the transfer from Earned Surplus to Capital Surplus in 1950 in accordance with the provisions of The Companies Act, 1934, as amended, of the amount of \$4,827,600. Corporate action looking to the issue of Supplementary Letters Patent confirming the reduction in the authorized capital stock resulting from the retirement of preferred shares and restoring to Earned Surplus the amount of \$4,827,600 so transferred to Capital Surplus, has been initiated by the Directors as By-Law No. 9 which the shareholders will be asked to sanction at the Annual and Special General Meeting of Shareholders to be held in Toronto on Thursday, April 12th next.

## Research and Development

The benefits to be derived from an efficient central research organization are becoming more and more evident. The development of new products from the waste materials obtainable from the sawmills of





## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1950 AND THE PERIOD  
SINCE REORGANIZATION ON MAY 1, 1946

	Year ended December 31	Four years and eight months since May 1, 1946
<b>SOURCE OF FUNDS</b>		
Net profit before provision for taxes on income and a special appropriation in 1948	\$22,863,833	\$ 92,134,420
Non-cash charges for depreciation and depletion deducted in arriving at net profit	5,622,168	21,665,600
Proceeds from disposal of capital assets	58,438	5,495,391
Other items—net	509,967	1,623,273
	<u>\$29,054,406</u>	<u>\$120,918,684</u>
<b>APPLICATION OF FUNDS</b>		
Provision for taxes on income	\$10,240,000	\$ 44,178,104
Invested in properties, plant and equipment	5,078,845	30,397,301
Invested in shares of British Columbia Pulp & Paper Company, Limited	2,500,000	2,500,000
Reduction in funded debt	2,891,500	21,824,400
Retirement of preferred shares	5,935,746	12,979,004
Dividends on preferred shares	1,730,406	8,532,906
Dividends on common shares	2,793,050	4,654,977
	<u>\$31,169,547</u>	<u>\$125,066,692</u>
<b>RESULTING IN A (DECREASE) IN WORKING CAPITAL OF</b>	<u><b>\$(2,115,141)</b></u>	<u><b>\$ (4,148,008)</b></u>
<b>CHANGES IN WORKING CAPITAL DURING THE PERIOD CONSIST OF INCREASES AND (DECREASES) AS FOLLOWS:</b>		
<b>Current Assets—</b>		
Cash and Government bonds	\$ 437,130	\$ (10,828,733)
Accounts receivable	1,377,922	4,757,018
Inventories	(1,531,337)	6,447,654
	<u>\$ 283,715</u>	<u>\$ 375,939</u>
<b>Current Liabilities</b>	2,398,856	4,523,947
Net (decrease) as above	<u><b>\$(2,115,141)</b></u>	<u><b>\$ (4,148,008)</b></u>

British Columbia will be one of the prime objectives of research in the next few years. The experiences gained in the past will be of great value in the conversion of these waste materials to useful products.

Further progress has been made during the past year in the solution of the great problem of complete forest utilization, and experimenting in the use of the deciduous species such as birch, maple, poplar, etc. goes on all the time. In the manufacture of corrugating board at Sturgeon Falls 85% of the wood being used consists of the deciduous species which otherwise would be passed by and allowed to die.

The use of jackpine in the manufacture of newsprint is now common practice in the Company and each year the amount of this species used increases.

The construction of the new hardboard plant at Sturgeon Falls is nearing completion in spite of delays in the delivery of equipment and material. It is expected that the new products from this plant will be on the market within the next two months.

## Properties

Capital expenditures on plant and equipment totalled \$5,078,845 for the year. This is substantially less than the annual expenditure in recent years and is in accordance with the current policy of spending approximately the amount of the depreciation charges on improvements and additions to physical assets.

Among the more important projects either completed during the year or under way are the following:

- (i) Sturgeon Falls hardboard plant.
- (ii) New boilers at Iroquois Falls and Pine Falls.
- (iii) New pump house at Port Arthur.
- (iv) Renovation of one paper machine at Port Arthur.
- (v) Extensive renovations at the Thorold mill of Provincial Paper, Limited.
- (vi) Installation of machine coating equipment on the second machine at the Port Arthur mill of Provincial Paper, Limited.

In addition to the above there were many less important additions to and improvements in the various mills.

The Board of Directors feels that the shareholders will be interested in a booklet, which will soon be distributed, showing by means of photographs the remarkable results of the rehabilitation and expansion of the Company's properties which has been carried out during the past five years.

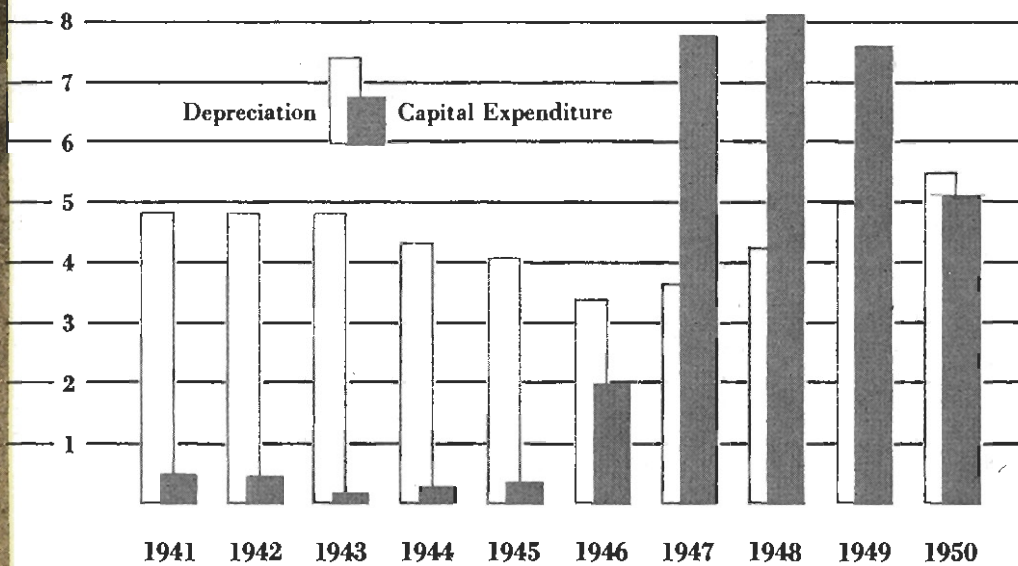
As things have turned out it is indeed fortunate that in these unsettled times we find ourselves with a substantial part of the reconstruction work done. Today the difficulties of obtaining equipment and material are formidable and the rate at which ordinary industrial projects can be carried out is slow due to the requirements of defense programmes both in Canada and in other countries.





## Comparison between CAPITAL EXPENDITURE and DEPRECIATION

Millions of Dollars







## PRODUCTION—TONS

	NEWSPRINT PAPER	PRINTING AND FINE PAPERS	BLEACHED SULPHITE PULP	UNBLEACHED SULPHITE PULP	GROUNDWOOD PULP	BOARD
1941	482,344	50,018	57,209	28,653	968	1,022
1942	429,366	50,406	59,001	43,206	5,126	1,603
1943	474,808	50,300	60,364	41,688		1,289
1944	441,721	54,264	58,782			1,482
1945	456,412	56,335	59,288	6,978	11,405	1,149
1946	611,645	61,725	53,144	28,266	802	800
1947	657,556	65,628	59,484	37,548	4,287	8,213
1948	680,539	68,914	61,020	38,968	4,655	35,644
1949	673,297	64,900	57,418	11,804	93	31,605
1950	686,225	73,882	58,960	5,286		35,915



## Industrial Relations

The Company's relations with the various unions with which collective bargaining agreements are made continue to be based on mutual respect and common objectives.

The work of an industrial relations department in a modern company is of great importance and the scope of this work broadens every year. In particular the organization of training schemes for executives, staff and operators is a matter to which the Company is paying more and more attention, with results which promise well for the future.

The morale of the men and women who work in the mills and power plants, in the offices and camps constitutes an asset which does not appear on the balance sheet but which is vital to any success which the Company has had in the past, or hopes for in the future.

The Directors take this opportunity of expressing their thanks to all employees of the Company and especially for their enthusiasm which has resulted in a successful year.



On behalf of the Board

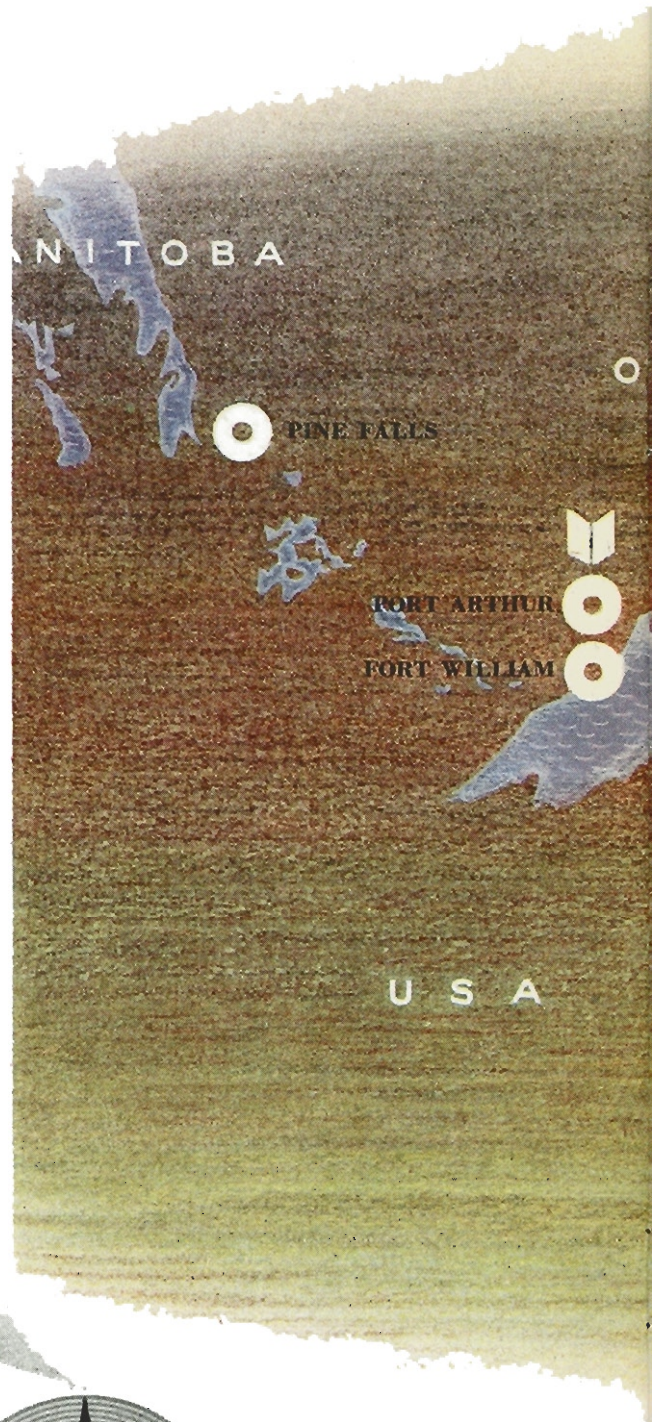
*Swanbridge*  
President

Toronto, March 1, 1951



*SITES OF PAPER MILLS, PULP  
MILLS AND DEVELOPED  
WATER POWERS*

-  **NEWSPRINT**
-  **EXECUTIVE OFFICES**
-  **CORRUGATING  
BOARD**
-  **DEVELOPED  
WATER POWER**
-  **BLEACHED SULPHITE**
-  **PRINTING AND  
FINE PAPERS**









# ABITIBI POWER & PAPER

## CONSOLIDATED BALANCE

(With comparable balances)

### ASSETS

#### CURRENT ASSETS:

	<u>1950</u>	<u>1949</u>
Cash on hand and in banks.....	\$ 5,480,157	\$ 5,043,027
Accounts receivable, less reserves.....	10,376,705	8,998,783
Inventories of paper, pulp, wood, materials and supplies on the basis of cost and expenditures on logging operations.....	24,157,562	25,688,899
	<u>\$ 40,014,424</u>	<u>\$ 39,730,709</u>

NOTE: Net current assets in United States funds amounting to \$6,056,601 (\$5,306,853 in 1949) are included at par of exchange.

#### INVESTMENT IN COMMON SHARES OF BRITISH COLUMBIA PULP & PAPER COMPANY, LIMITED .....

\$ 19,639,000

—

NOTE: These shares representing about 98% of the outstanding common shares of British Columbia Pulp & Paper Company, Limited are pledged as security for the bank loan of \$17,139,000. One-half of such shares are subject to a right of purchase which under certain conditions becomes obligatory on or about June 28, 1951.

#### CAPITAL ASSETS:

Properties, plant and equipment as at April 30, 1946—at gross physical values as reported by Messrs. Coverdale & Colpitts, Consulting Engineers, New York, -except as to Provincial Paper, Limited included at book values.....	\$118,403,451	\$118,403,451
Subsequent additions at cost.....	30,397,294	25,318,451
	<u>\$148,800,745</u>	<u>\$143,721,902</u>
Less - Retirements, etc.....	11,132,987	10,302,894
	<u>\$137,667,758</u>	<u>\$133,419,008</u>
Less - Accrued depreciation, including provisions since May 1, 1946; adjusted for retirements.....	61,225,117	56,413,905
	<u>\$ 76,442,641</u>	<u>\$ 77,005,103</u>
Timber concessions, agreements and licenses, waterpower rights and freehold timber areas, less provision for depletion of \$2,884,846 (\$2,734,846 in 1949).....	15,947,535	16,097,533
	<u>\$ 92,390,176</u>	<u>\$ 93,102,636</u>

#### DEFERRED CHARGES AND OTHER ASSETS:

Prepaid insurance, taxes, etc.....	\$ 792,942	\$ 932,950
Bond discount and expense.....	581,656	684,760
Miscellaneous investments and other assets.....	423,129	579,285
	<u>\$ 1,797,727</u>	<u>\$ 2,196,995</u>

#### APPROVED ON BEHALF OF THE BOARD:

D. W. AMBRIDGE, Director  
W. H. SMITH, Director

\$153,841,327 \$135,030,340



# COMPANY, LIMITED AND SUBSIDIARY COMPANIES

SHEET DECEMBER 31, 1950

as at December 31, 1949)

## LIABILITIES

### CURRENT LIABILITIES:

	1950	1949
Accounts payable and sundry accruals.....	\$ 8,348,384	\$ 6,433,390
Dividends payable.....	1,324,941	1,106,071
Interest accrued on First Mortgage Bonds.....	306,937	339,626
Provision for income and other taxes.....	6,654,423	5,495,742
Serial and sinking fund payments due April 1, 1951 on First Mortgage Bonds.....	1,057,000	1,918,000
	<u>\$ 17,691,685</u>	<u>\$ 15,292,829</u>

### BANK LOAN (secured):

Due in June 1952 or earlier at the option of the company.....	\$ 17,139,000	-
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### FIRST MORTGAGE BONDS:

Authorized.....	<u>\$65,000,000</u>		
Issued and outstanding:			
3½% First Mortgage Serial Bonds, Series "A", (\$1,000,000 maturing annually)			
Issued.....	\$10,000,000		
Redeemed and cancelled.....	<u>3,000,000</u>	\$ 7,000,000	\$ 8,000,000
3½% First Mortgage Twenty-Year Bonds, Series "A", maturing April 1, 1967			
Issued.....	\$35,000,000		
Redeemed and cancelled.....	<u>6,921,500</u>	28,078,500	31,550,500
		<u>\$ 35,078,500</u>	<u>\$ 39,550,500</u>
Less -			
Bonds redeemable April 1, 1951 provided for above.....		1,055,500	2,636,000
		<u>\$ 34,023,000</u>	<u>\$ 36,914,500</u>
RESERVE AGAINST POSSIBLE DECLINE IN INVENTORY VALUES.....	\$ 4,500,000	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

### PREFERENCE SHARES OF A SUBSIDIARY COMPANY:

4% cumulative preference shares of Provincial Paper, Limited; redeemable at \$53.50 a share - 20,000 shares of \$50 each.....	\$ 1,000,000	\$ 1,000,000
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### CAPITAL STOCK:

Preferred Shares -		
Annual cumulative dividend of \$1.50 a share; redeemable at \$25 a share - 1,050,416 shares of \$20 each (1,291,796 shares in 1949).....	\$ 21,008,320	\$ 25,835,920
Common Shares -		
1,241,694 shares without nominal or par value.....	25,941,295	25,941,295
	<u>\$ 46,949,615</u>	<u>\$ 51,777,215</u>
CAPITAL SURPLUS, resulting from retirement of preferred shares.....	\$ 4,827,600	\$ 3,069,520
EARNED SURPLUS, since May 1, 1946.....	\$ 27,710,427	\$ 22,476,276
	<u>\$153,841,327</u>	<u>\$135,030,340</u>



# ABITIBI POWER & PAPER COMPANY

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1950

(With a comparable statement for the year ended December 31, 1949)

	<u>1950</u>	<u>1949</u>
Net Sales – after deducting outward freight, etc.....	\$93,776,756	\$81,677,709
<i>Less</i> – Operating costs including administrative, selling and general expenses, but before provision for depreciation, depletion, etc.....	<u>62,590,832</u> <u>\$31,185,924</u>	<u>59,179,992</u> <u>\$25,497,717</u>
<i>Deduct</i> –		
Provision for depreciation.....	\$ 5,472,168	\$ 4,993,241
Provision for depletion.....	150,000	125,000
Employees' retirement income plan.....	1,274,497	1,264,256
Amortization of bond discount and expense.....	103,104	100,397
Interest on First Mortgage Bonds.....	1,282,322	1,393,876
Dividends on outstanding preference shares of Provincial Paper, Limited.....	40,000	40,000
	<u>\$ 8,322,091</u>	<u>\$ 7,916,770</u>
Profit before provision for taxes on income.....	\$22,863,833	\$17,580,947
<i>Deduct</i> – Provision for taxes on income.....	<u>10,240,000</u>	<u>7,800,000</u>
Net profit for the year.....	<u>\$12,623,833</u>	<u>\$ 9,780,947</u>

NOTE: Fees of directors not holding salaried positions amounted to \$22,450 for the year (\$22,100 in 1949) and counsel and solicitors' fees, salaries and fees of executive officers and directors holding salaried positions amounted to \$475,413 for the year (\$401,085 in 1949).



# PANY, LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

(Since May 1, 1946)

FOR THE YEAR ENDED DECEMBER 31, 1950

(With a comparable statement for the year ended December 31, 1949)

	1950	1949
Earned surplus at beginning of year.....	\$22,476,276	\$19,377,323
Transfer from Capital Surplus, as authorized by Supplementary Letters Patent, to restore to Earned Surplus the amount designated as Capital Surplus in 1949 upon retirement of preferred shares.....	3,069,520	-
Net profit for the year.....	12,623,833	9,780,947
Surplus arising from sale of capital assets.....	-	1,593,396
	<u>\$38,169,629</u>	<u>\$30,751,666</u>
<i>Deduct -</i>		
Excess of cost over par value of preferred shares retired.....	\$ 1,108,146	\$ 1,227,338
Amount transferred to Capital Surplus upon retirement of preferred shares.....	4,827,600	3,069,520
	<u>\$ 5,935,746</u>	<u>\$ 4,296,858</u>
	<u>\$32,233,883</u>	<u>\$26,454,808</u>
<i>Deduct -</i>		
Dividends on:		
Prior Preferred Shares.....	\$ -	\$ 62,500
Preferred Shares.....	1,730,406	2,054,105
Common Shares.....	2,793,050	1,861,927
	<u>\$ 4,523,456</u>	<u>\$ 3,978,532</u>
Earned Surplus at end of year.....	<u>\$27,710,427</u>	<u>\$22,476,276</u>

## CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1950

(With a comparable statement for the year ended December 31, 1949)

	1950	1949
Capital surplus at beginning of year.....	\$ 3,069,520	-
<i>Deduct -</i>		
Transfer to Earned Surplus to restore the amount designated as Capital Surplus in 1949 upon retirement of preferred shares.....	3,069,520	-
	<u>\$ -</u>	<u>-</u>
<i>Add -</i>		
Amount transferred from Earned Surplus pursuant to the provisions of The Companies Act, 1934:		
Par value of 50,000 Prior Preferred Shares redeemed.....	\$ -	\$ 1,000,000
Par value of 241,380 Preferred Shares retired (103,476 shares in 1949).....	4,827,600	2,069,520
Capital Surplus at end of year.....	<u>\$ 4,827,600</u>	<u>\$ 3,069,520</u>



PRICE, WATERHOUSE & CO.

**AUDITORS REPORT**

ROYAL BANK BUILDING

TORONTO

February 8, 1951.

To the Shareholders of  
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the consolidated balance sheet of Abitibi Power & Paper Company, Limited and subsidiary companies as at December 31, 1950 and the related consolidated statements of profit and loss and surpluses for the year then ended and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and surpluses are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1950 and the result of operations for the year according to the best of our information and the explanations given to us and as shown by the books of the companies.



Auditors.





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